

## Message Text

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ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 SWF-02 AID-20 CEA-02 CIAE-00

COME-00 EB-11 FRB-03 INR-11 NSAE-00 RSC-01 CIEP-03

SP-03 STR-08 TRSE-00 LAB-06 SIL-01 SAM-01 OMB-01

TAR-02 SS-20 NSC-07 NEA-14 DODE-00 PA-04 USIA-15

PRS-01 SAB-01 L-03 FEA-02 INT-08 AGR-20 DRC-01 /211 W

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INFO AMEMBASSY BONN

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AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

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AMEMBASSY THE HAGUE

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E.O. 11652: N/A

TAGS: PFOR, EEC, XF, EG

SUBJECT: EC-ARAB RELATIONS/MEDITERRANEAN POLICY

REFS: A) EC BRUSSELS 6423

B) EC BRUSSELS 6662

C) EC BRUSSELS 5883

D) PARIS 18810

1. SUMMARY: EC COMMISSIONER FOR DEVELOPMENT CHEYSSON RETURNED  
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FROM HIS EGYPTIAN VISIT ENCOURAGED BY THE POSITIVE COURSE BEING DEVELOPED IN EC-ARAB RELATIONS. NEGOTIATIONS FOR EXPANDED ECONOMIC COOPERATION AGREEMENTS WITH EGYPT, SYRIA, JORDAN AND LEBANON ARE EXPECTED TO BEGIN THIS FALL. THE DEVELOPING EUR-ARAB DIALOGUE WILL GET DOWN TO SPECIFICS WHEN THE "GENERAL COMMITTEE" BEGINS ITS MEETINGS IN NOVEMBER. IN CHEYSSON'S VIEW THESE DEVELOPMENTS WILL MEAN CLOSER RELATIONS BETWEEN EUROPE AND THE ARABS, LEADING TO A MORE EFFECTIVE EC DEVELOPMENT POLICY IN THE AREA. END SUMMARY.

2. IN A SEPTEMBER 10 CALL ON CLAUDE CHEYSSON, EC COMMISSIONER FOR DEVELOPMENT AND COOPERATION POLICY, WHICH OCCURRED ONE DAY AFTER A MAJOR PRESS CONFERENCE IN WHICH CHEYSSON DISCUSSED HIS RECENT EGYPTIAN VISIT, AMBASSADOR GREENWALD EXPLORED A NUMBER OF ISSUES CONCERNING EURO-ARAB RELATIONS AND THE "GLOBAL" MEDITERRANEAN POLICY. CHEYSSON BEGAN BY UNDERLINING THAT NOTHING IN HIS EGYPTIAN TALKS OR THE EURO-ARAB DIALOGUE AS A WHOLE SHOULD IN ANY WAY INTERFERE WITH, DELAY OR OTHERWISE JEOPARDIZE EFFORTS AT SECURING A PEACEFUL SETTLEMENT IN THE MIDDLE EAST. HE SAID HE HAD MADE THIS POINT AT THE OUTSET IN EACH OF HIS RECENT CONVERSATIONS DURING THE VISIT.

3. EGYPTIAN TALKS: THE MAIN FOCUS OF HIS VISIT TO CAIRO WAS CLOSER ECONOMIC RELATIONS BETWEEN EGYPT AND THE COMMUNITY. THE EGYPTIANS CONFIRMED THEIR MAY MEMORANDUM REQUESTING A GENERAL COOPERATION AGREEMENT WITH THE EC THAT GOES WELL BEYOND THE LIMITED PREFERENTIAL TRADE AGREEMENT CURRENTLY IN FORCE. EGYPT WANTS TO BE INCLUDED IN THE EC'S MEDITERRANEAN POLICY AND TO NEGOTIATE PREFERENTIAL AGREEMENTS ALONG THE LINES OF THE AGREEMENTS WITH THE MAGHREB, MALTA, SPAIN AND ISRAEL. CHEYSSON NOTED EGYPT'S STRONG INTEREST IN INDUSTRIAL COOPERATION WITH EUROPE. HE SEES GREAT POTENTIAL IN A MATCH-UP OF EGYPTIAN LABOR, IMPORTED CAPITAL (ARAB, BUT ALSO EUROPEAN), EUROPEAN TECHNOLOGY AND A VAST MARKET - ESPECIALLY FOR EC PRODUCTS.

4. INFORMATION-REPORTING - CONSULTATION CONCEPT: ENTHUSIASM FOR INDUSTRIAL COOPERATION CAUSES CHEYSSON SOME CONCERN, HOWEVER. HE SEES POTENTIAL PROBLEMS AFFECTING MARKET ACCESS OVER THE LONG RUN FOR PRODUCTS COMING FROM AN INCREASINGLY LIMITED OFFICIAL USE

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INDUSTRIALIZED MIDDLE EAST. SUDDEN OVERPRODUCTION IN PARTICULAR SECTORS AND FLOODING OF MARKETS OPENED TO MIDDLE EAST EXPORTS MIGHT LEAD TO POLITICAL BACKLASH AND PROTECTIONISM. HE WANTS TO SEE MUCH MORE IN THE WAY OF INFORMATION-REPORTING-CONSULTATION CONCERNING INDUSTRIAL DEVELOPMENT -- PUBLIC AND PRIVATE. IN HIS VIEW THE EURO-ARAB DIALOGUE CAN HELP, AND HE SAID HE HAD EXPRESSED THIS VIEW ON MAMOUD RAID,

SECRETARY GENERAL OF THE ARAB LEAGUE. A MECHANISM IS NEEDED, CHEYSSON SAID, THAT WOULD PROVIDE BOTH AN ASSESSMENT OF THE MARKET FOR GOODS PRODUCED AS WELL AS INFORMATION CONCERNING THE PROJECTS BEING CONSIDERED. THE IFC OR WORLD BANK ARE POSSIBLE CANDIDATES FOR THE TASK IN HIS VIEW.

5. TIMING AND SHAPE OF THE NEGOTIATIONS: CHEYSSON WANTS TO HAVE THE CURRENT MEDITERRANEAN NEGOTIATIONS WELL IN HAND BEFORE FORMAL TALKS WITH EGYPT, SYRIA, JORDAN AND LEBANON. THESE NEGOTIATIONS ARE ON THE WAY TO A SUCCESSFUL CONCLUSION AND CHEYSSON ANTICIPATES THAT THE COMMISSION WILL THEREFORE BE ABLE, IN OCTOBER OR EARLY NOVEMBER, TO ASK THE COUNCIL FOR A MANDATE TO TAKE UP FORMAL NEGOTIATIONS WITH EGYPT AND SYRIA (ON A PRIORITY BASIS) AND WITH JORDAN AND LEBANON. SERIOUS TALKS COULD THEN BEGIN IN EARLY 1975. ASKED ABOUT THE SHAPE THE AGREEMENTS MIGHT TAKE, CHEYSSON SAID THEY WOULD BE PREFERENTIAL ECONOMIC AGREEMENTS LIKE THE OTHER MEDITERRANEAN AGREEMENTS AND THEY WOULD BE UNDER ARTICLE 113, NOT ARTICLE 238, AS THEY CANNOT BE FORMAL ASSOCIATION AGREEMENTS. THE AGREEMENTS MAY CONTAIN FINANCIAL AID, AND CHEYSSON SAID THAT IN THE CASE OF EGYPT, SYRIA AND JORDAN HE WOULD RECOMMEND THAT CERTAIN FINANCIAL AND BANKING CONCESSIONARY ARRANGEMENTS BE INCLUDED.

6. EURO-ARAB DIALOGUE: IN ADDITION TO DISCUSSING THE INFORMATION-REPORTING-CONSULTATION CONCEPT WITH MAMOUD RAID, CHEYSSON, WHEN ASKED AT HIS PRESS CONFERENCE WHETHER THE ISSUE OF RECYCLING CAPITAL AND THE ISSUE OF PETROLEUM ARE TO BE CONSIDERED AS EXPLICIT TOPICS FOR THE EURO-ARAB DIALOGUE, REPLIED THAT IT WILL BE UP TO THE "GENERAL COMMITTEE" AGREED TO BY THE DIALOGUE PARTICIPANTS (TO MEET FROM NOVEMBER ONWARDS) TO SELECT THE TOPICS FOR THE DIALOGUE (REFTELS C AND D). IN HIS VIEW, HOWEVER, LIMITED OFFICIAL USE

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THERE IS NO DOUBT CAPITAL WILL BE DISCUSSED UNDER THE HEADING OF "FINANCIAL COOPERATION" AND PETROLEUM UNDER THE HEADING OF "RAW MATERIALS."

7. SUPPORT FOR PALESTINIANS: REPORTING ON EC-ARAB RELATIONS AND THE CHEYSSON VISIT, AGENCE EUROPE SAYS THAT CHEYSSON MET IN CAIRO WITH KADDOUMI, HEAD OF THE POLITICAL SECTION OF THE ORGANIZATION FOR THE LIBERATION OF PALESTINE, AND QUOTES CHEYSSON AS HAVING "EXPRESSED THE WISH OF THE MEMBER COUNTRIES OF THE EC TO CONTINUE TO PROVIDE AID FOR THE PALESTINIAN PEOPLE, PARTICULARLY IN THE EVENT OF THE CREATION OF AN AUTONOMOUS STATE." EUROPE SAYS THIS STATEMENT WAS WELL RECEIVED BY THE PALESTINIAN REPRESENTATIVE WHO WANTS THE EC TO SUPPORT THE TEN-POINT

POLITICAL PROGRAM ADOPTED BY THE NATIONAL PALESTINIAN  
COUNCIL.GREENWALD

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